

Message Text

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ACTION EB-08

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TAGS: EIND, ELEC, ETRD, TW
SUBJECT: COLOR TV EXPORTS TO THE U.S. -- ALLEGED GOVERNMENT
OF JAPAN ROLE

REF: STATE 016403

1. THE GOVERNMENT OF JAPAN HAS ALLEGEDLY ADVISED JAPANESE FIRMS WITH COLOR TELEVISION MANUFACTURING SUBSIDIARIES IN TAIWAN NOT TO EXPAND THEIR TAIWAN FACILITIES TO INCREASE CTV EXPORTS TO THE UNITED STATES. THIS INFORMATION WAS TOLD TO THE AMERICAN MANAGER OF A CTV COMPONENTS MANUFACTURING PLANT IN KAOHSIUNG BY A SENIOR CHINESE OFFICIAL OF HITACHI TAIWAN LTD. ACCORDING TO THE OFFICIAL, HITACHI HAD ORIGINALLY INTENDED TO EXPAND ITS KAOHSIUNG EPZ PLANT BEYOND ITS PRESENT EXPORT CAPACITY OF 15,000 13 INCH, 17 INCH AND 19 INCH CTV SETS PER MONTH. HITACHI TAIWAN'S SENIOR MANAGEMENT WAS TOLD THAT THERE WAS A "POLITICAL" RATIONALE BEHIND THE GOJ REQUEST TO CANCEL ITS EXPANSION PLANS. HE UNDERSTANDS SIMILAR WARNINGS HAVE GONE TO OTHER JAPANESE SUBSIDIARIES IN TAIWAN.

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2. MOREOVER, ACCORDING TO THE SAME SOURCE, GOJ POLICY NOW ENCOURAGES JAPANESE CTV MANUFACTURING SUBSIDIARIES TO BUY AS MANY TAIWAN MANUFACTURED COMPONENTS AS POSSIBLE, AND TO REDUCE IMPORTS OF JAPANESE SUBASSEMBLIES FOR INCORPORATION INTO COMPLETE CTV SETS FOR EXPORT TO THE U.S..

3. THE AMERICAN MANAGER OF CTS COMPONENTS TAIWAN, A MANUFACTURING SUBSIDIARY OF CTS CORPORATION, ELKHART INDIANA, SPECULATES THAT THE JAPANESE ARE SWITCHING CTV SALES TACTICS AWAY FROM DIRECT ASSEMBLY IN TAIWAN AND TOWARD COMPONENT SALES TO TAIWAN FIRMS FOR INCORPORATION INTO COMPLETE CTV SETS TO BE SOLD IN THE UNITED STATES THROUGH THE MARKETING SUBSIDIARIES OF JAPANESE FIRMS. FOR EXAMPLE, ACCORDING TO HIS TRADE SOURCES, LAST YEAR TATUNG MANUFACTURED RELATIVELY FEW CTV'S FOR EXPORT. BUT THAT THIS YEAR, HE SAID, TATUNG WAS SUDDENLY PURCHASING LARGE QUANTITIES OF JAPANESE COMPONENTS FOR ASSEMBLY INTO CTV'S FOR EXPORT TO THE UNITED STATES. ANOTHER TAIWAN FIRM SAID TO BE MAKING SUBSTANTIAL PURCHASES OF JAPANESE COMPONENTS WAS UNITED ELECTRONICS INCORPORATED. HE ALSO UNDERSTANDS THAT, AT LEAST INITIALLY, OLYMPIC'S CTV COMPONENTS WILL ALL BE IMPORTED FROM JAPAN, WITH LITTLE LOCAL PROCUREMENT.

4. COMMENT: THIS REPORT IS THE FIRST WE HAVE HEARD OF GOJ INTERVENTION WITH TAIWAN SUBSIDIARIES OF JAPANESE CTV FIRMS. THE GOJ ADVICE APPEARS MERELY TO REFLECT THE ROC BOARD OF FOREIGN TRADE'S NEW POLICY WITH REGARD TO THE CTV INDUSTRY. THE TAIWAN ELECTRIC APPLIANCE MANUFACTURERS' ASSOCIATION, THE MAIN INDUSTRY GROUP, TOLD US THAT THE BOFT POLICY EFFECTIVE JANUARY 19 OF CENTRALIZING CTV EXPORT PERMITS WAS, INTER ALIA, SPECIFICALLY DIRECTED AT HITACHI'S EXPANSION PLANS. FURTHER, THE BOFT ANNOUNCEMENT THAT IT WILL SUBJECT TO GREATER SCRUTINY LIMITED OFFICIAL USE

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ALL DEALS INVOLVING THE IMPORT OF CTV COMPONENTS AND THE EXPORT OF CTV'S TO THE UNITED STATES WOULD APPEAR TO ENCOURAGE GREATER LOCAL SOURCING OF CTV COMPONENTS. IN THIS REGARD, TEAMA UNDERSTANDS THAT THE PRESENT MINIMUM VALUE ADDED TO CTV'S FOR EXPORT WILL BE RAISED IN THE MIDDLE OF 1978. IF THE SENIOR HITACHI OFFICIAL'S INFORMATION IS CORRECT, THEN THE NEW BOFT CTV POLICY HAS ALREADY BLOCKED JAPANESE SUBSIDIARIES' PLANS TO EXPAND FURTHER CTV EXPORTS TO THE UNITED STATES.

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